Benefits from CAFTA-DR
Illinois

U.S. DEPARTMENT OF COMMERCE

INTERNATIONAL TRADE ADMINISTRATION

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Export shipments of merchandise—manufactures and non-manufactures—from Illinois to the CAFTA-DR region (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) totaled $211 million in 2004, the 16th-largest total among the 50 states.

Exports from Illinois to the CAFTA-DR region fell by $85 million, or 29 percent, from 2000 to 2004; but exports rebounded from 2003 to 2004 by $39 million, or 23 percent.

Individually, most CAFTA-DR markets are multi-million-dollar trading partners for Illinois. In 2004, Illinois shipped merchandise worth $62 million to Costa Rica alone, making Costa Rica the state's 41st-largest market. Guatemala also ranked among the top 50 export markets for Illinois that year. Five manufactured product categories accounted for 35 percent of the state's total shipments of merchandise to the region in 2004.

CAFTA-DR Moves the Trading Relationship from One-way Preferences to Reciprocity

For 20 years, most Central American and Dominican Republic exports to the United States benefited from duty-free treatment, primarily as a result of the Caribbean Basin Initiative (CBI). Currently about 80 percent of the region's exports enter the United States duty-free, while U.S. goods exported to the CAFTA-DR countries face significant tariffs.

CAFTA-DR Provides Enhanced Market Access to the Dominican Republic and Central America

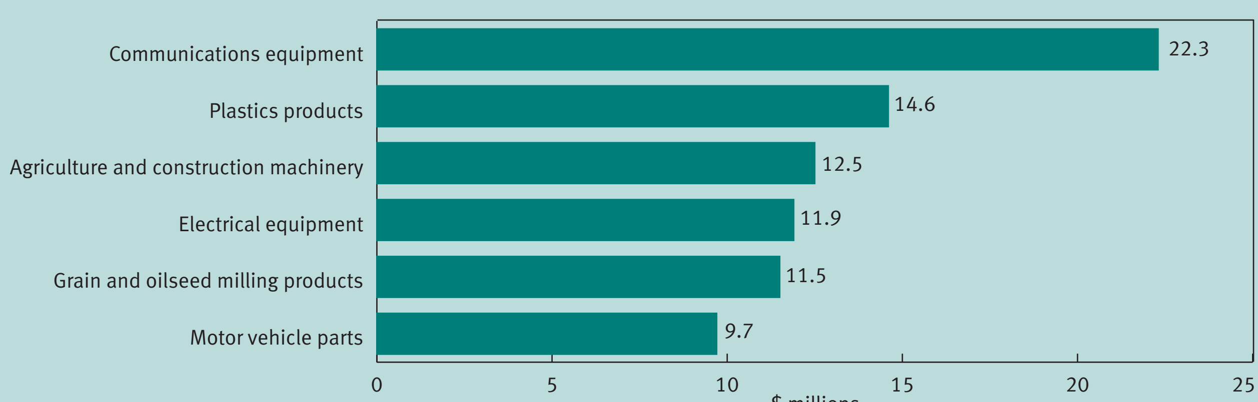
CAFTA-DR will boost opportunities for Illinois exporters throughout the region, providing new market access for the state's products. More than 80 percent of U.S. exports of consumer and industrial products to Central America and the Dominican Republic will be duty-free immediately upon entry into force of the agreement, with remaining tariffs phased out over 10 years. Key U.S. exports, such as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment, will gain immediate duty-free access to Central America and the Dominican Republic.

The state's exports to CAFTA-DR countries are dominated by manufactured goods, which in 2004 comprised 97 percent of Illinois' total exports to the region.

Continued on reverse

Illinois Exported $204.1 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004

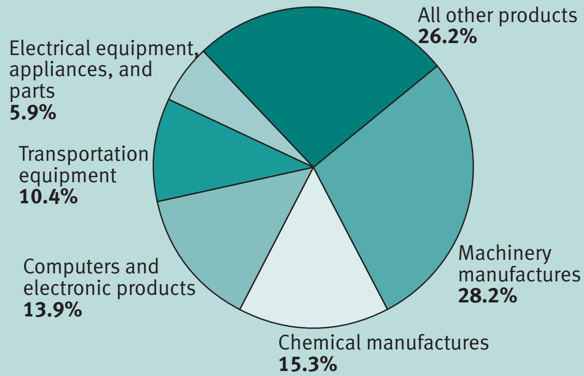
Communications Equipment Is Top Category



Source: U.S. Department of Commerce.

Illinois Exported $30.2 Billion in Goods to the World in 2004

Machinery Manufactures Lead



Source: U.S. Department of Commerce.

High-Tech Exports Are Important for Illinois

The top export category to the CAFTA-DR region for Illinois is communications equipment. In 2004, the state exported communications equipment to the region valued at $22 million. Although overall Illinois exports to the CAFTA-DR region fell between 2000 and 2004, exports of communications equipment grew by $8.2 million.

For the entire computers and electronic products export category, Illinois exported just over $34 million to the CAFTA-DR region in 2004. The CAFTA-DR agreement improves market access for information technology goods and service providers. All exports of products covered by the Information Technology Agreement, including communications equipment, will receive duty-free treatment immediately upon implementation of the CAFTA-DR agreement.

CAFTA-DR Opens Markets for Other Key Illinois Exports

The state's other four leading exports to CAFTA-DR markets in 2004 were plastics products ($15 million), agriculture and construction machinery ($13 million), electrical equipment ($12 million), and grain and oilseed milling products ($12 million).

Three of these export categories registered significant dollar gains from 2000 to 2004: grain and oilseed milling products (exports up $6.1 million), electrical equipment (up $5.7 million), and agriculture and construction machinery (up $5.6 million).

CAFTA-DR should enhance opportunities for exports in these and other sectors, such as chemicals, in which Illinois has strong global export interests.

Machinery manufactures. Exports of machinery manufactures for Illinois exceeded $8.5 billion globally in 2004 and $36 million to the CAFTA-DR region. Exports of agriculture and construction machinery and other general purpose machinery comprised sixty-two percent ($22 million) of the $36 million total in 2004. Ninety-two percent of U.S. capital goods exports to Central America and the Dominican Republic will be duty-free immediately upon implementation of the CAFTA-DR agreement.

Chemical manufactures. Chemical manufactures were the state's second-leading export globally in 2004, totaling just over $4.6 billion. Illinois exporters of chemical and related products will benefit from CAFTA-DR tariff reductions. Tariffs on high value chemical products, such as residual pharmaceuticals, medications, and insecticides/herbicides, will, in most cases, be phased out immediately or over five years.

Processed foods. The CAFTA-DR agreement, when implemented, will stimulate new opportunities for Illinois businesses in this sector. Illinois' exports of processed foods grew by more than $14 million from 2000 to 2004, from $17.5 million to nearly $32 million. Demand in Central America and the Dominican Republic for imported processed products has been expanding substantially in recent years despite high tariffs.

Exports Were Spurred by Past Trade Agreements

In the first year of the U.S-Chile FTA, exports from Illinois to Chile grew by almost 52 percent. Since the North American Free Trade Agreement (NAFTA) was signed in 1993, combined exports to Canada and Mexico from Illinois have increased by more than 84 percent.

The Central American–Dominican Republic Free Trade Agreement (CAFTA-DR) group consists of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to states based on transportation origin—i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Source: Bureau of the Census, U.S. Department of Commerce, Origin of Movement series.

Prepared by the International Trade Administration, U.S. Department of Commerce.